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# MEMORANDUM

ON THE

# BANKING SYSTEMS

OF

GREAT BRITAIN AND IRELAND

AND OTHER

EUROPEAN COUNTRIES, THE UNITED STATES AND CANADA.

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# MEMORANDUM AS TO BANKING SYSTEMS.

## ENGLAND AND WALES.

The banking business in England and Wales is carried on by the Bank of England and the other joint stock banks and the private bankers. Of these, some are banks of issue, others banks of deposit, banks of remittance, banks of discount, &c., &c.

The Bank of England was founded in 1694, and grew out of a loan of £1,200,000 to the Government for the public service (5 & 6 Will. III, c. 20). The charter was continued in 1697 (8 & 9 Will. III, c. 20), and it was then enacted that during the continuance of the charter no other bank should be established in England or Wales. In 1708 (7 Anne, c. 30) the charter was again continued, and provision was made prohibiting the establishment in any part of England of companies of more than six partners to issue notes payable on demand or for a less period than six months. It will be noticed that this Act did not prohibit the formation of associations for general banking business. It merely forbade the issue of notes by associations of more than six partners, but the issue of notes seems to have been regarded as so essential to the business of banking that it came to be believed that joint stock banking associations were absolutely prohibited in England, and no such associations were founded until after the legislation of 1826 (7 Geo. IV, c. 46), which permitted the establishment of banks of issue with any number of partners, provided they had the whole of their banking houses and carried on their business as bankers more than sixty-five miles from London. The result of the above and subsequent legislation was that at the time of the passing of the Act of 1844, besides the Bank of England, the following classes of banking institutions were authorized to do business, viz.:—

1. Companies of six partners and less, who might issue notes and do business in any part of England and Wales;

2. Companies of more than six partners, who might carry on business in London, or within sixty-five miles thereof, but who were not allowed the privilege of the note issue; and

3. Companies of more than six partners, doing business at a greater distance than sixty-five miles from London, and not having any establishment in London or within sixty-five miles thereof, who were allowed to issue their notes payable on demand or otherwise at places outside the limit. They were permitted to make their notes payable in London, and to have an agent or agents in that city for the purpose of payment only, but they were not permitted to re-issue their notes in London, or within sixty-five miles thereof.

By the Act of 1844 (7 & 8 Vict., c. 32) the Bank of England was divided into two departments—the banking department and the issue department. The bank was allowed to issue notes to the extent of £14,000,000 on securities to a similar amount, of which the debt of £11,015,100 owing to the bank by the public formed a part, and as the other banks of issue authorized by the Act ceased to issue notes the amount of notes so to be issued by the Bank of England on securities might be increased by Order in Council to the extent of two-thirds of the authorized issue of the bank so ceasing to issue its notes. Under this provision the present authorized issue of the Bank of England is £16,200,000, but for every note issued above that amount the issue department must hold an amount in coin and bullion equal to the excess, the silver coin held not to exceed in amount one-fourth part of the gold coin

and bullion held. Thus, on the 18th September last the total issue of the Bank of England was represented as follows:—

| | |
|---|---|
| Government debt | £11,015,100 |
| Other securities | 5,184,900 |
| Gold coin and bullion | 20,239,255 |
| Silver bullion | *nil* |
| | £36,439,255 |

It may be mentioned in passing that it had been found that the notes of the Bank of England in circulation for some years previously to 1844 rarely amounted to twenty, or sunk as low as sixteen millions, and it was, therefore, considered that it might be safely assumed that the circulation of the bank could not, in any ordinary condition of society or under any merely commercial vicissitudes, be reduced below fourteen millions. The Act was suspended in 1847, 1857 and 1866, so far as to allow the bank directors to strengthen the banking department by recourse to the reserves of the issue department. In each case the suspension of the Act arrested and allayed the panic then prevailing, and in 1866 it was not found necessary to exercise the power to borrow from the issue department, which had been conceded to the directors.

The Act authorized the establishment of banks of more than six partners in London or within sixty-five miles thereof, but it also enacted that from the 6th May, 1844, no bank of issue should be established in any part of the United Kingdom. The banks at that date lawfully issuing their own notes were continued in the privilege, but the issue of each bank was restricted to the amount of its average circulation during the twelve weeks prior to the 27th April, 1844. Weekly returns of the circulation are required, and if the monthly average circulation of any bank exceeds its authorized amount, the bank incurs the penalty of the forfeiture of a sum equal to the excess of circulation. Provision was made by which a bank might agree with the Bank of England for a composition of its note-issuing privilege, and it thereupon loses it. It also loses it if it becomes bankrupt, or ceases to carry on business, or discontinues in any way the issue of bank notes. The Act also provided that if a bank, consisting of six, or less than six partners, should increase the number of partners beyond six, it would lose its privilege of note issue. The following table shows how the banks of issue have decreased since 1844:—

| | | Private. | Joint Stock. |
|---|---|---|---|
| Number of banks in England and Wales authorized by Act of 1844 to issue their own notes | | 207 | 72 |
| Diminished by amalgamation | 7 | | |
| Lapsed issues | 119 | | |
| | | 126 | 34 |
| Number now remaining | | 81 | 38 |
| Authorized issue of banks now remaining | | £2,927,691 | £2,042,161 |

It will be noticed that under the existing law in course of time the entire note circulation will pass to the Bank of England. In consideration of this exclusive privilege, and also the exemption of its notes from stamp duties, the bank, under the Act of 1844, was obliged to deduct from the amount payable by the Government on account of the management of the public debt the sum of £180,000 a year, and it was also to give the public the net profits on the note issue above £14,000,000. In 1861 a fresh arrangement was made, which is still in force, by which the amount to be deducted is £60,000 *plus* the whole allowance out of profits of issue, making in all at that time £188,078. As the amount allowed to be issued on securities has since

then been increased, this amount will now be greater. It was placed at about £200,000 in 1875, when the authorized circulation on securities was £15,000,000.

As above noted, the Bank of England has the management of the public debt, and generally it transacts the banking business of the Government. Its notes are legal tender in England for all sums above £5, except at the bank or its branches, but they are not legal tender in Scotland or Ireland, although they are allowed by law to circulate in those countries.

The Government issues no notes, and as, by 7 Geo. IV, c. 6, the circulation in England of bank notes under £5 is forbidden, all payments under that amount are made in gold and silver coin. By 9 Geo. IV, c. 65, the circulation in England of the notes of Irish and Scotch banks under £5 is forbidden.

The National Bank of Ireland, the National Bank of Scotland, the Bank of Scotland and the Royal Bank of Scotland have offices in London, and some of the Scotch Banks have agencies in Northumberland and Cumberland. Protests have been made to the Government, on the behalf of the English bankers, against these banks being allowed to do business in England, but so far no legislation has taken place.

The number of private bankers in the United Kingdom in 1879 was 251; in 1885, 240; and in 1889, 234. It will be seen that there has been a steady diminution. There are no private banks in Scotland, and only three in Ireland. Of the 234 banks now existing, 81, as above noted, have the power of issuing notes. There are now 117 Joint Stock banks in England and Wales and three in the Isle of Man.

In 1844 an Act was passed (7 & 8 Vict., c. 113), by which it became unlawful for any company of more than six persons to carry on the business of bankers in England unless they registered under that Act, but companies previously established and carrying on business on the 6th May, 1844, were allowed to continue their business. The liability of the shareholders (then unlimited) was not affected. This Act was extended to Scotland and Ireland by 9 & 10 Vict., c. 75. By section 12 of 20 & 21 Vict., c. 49 (1857), power was given to form banking partnerships of ten persons, or under, in the same manner and upon the same conditions as a company of not more than six persons could at that time carry on business. In 1858 (21 & 22 Vict., c. 91) an Act was passed by which joint stock banks were allowed to register with limited liability. Before this Act the limited liability of partners was only constituted by special Acts of Parliament, Royal Charters or Letters Patent. The Bank of England and the three oldest established banks in Scotland had been thus favored. The Acts last referred to were repealed by the Companies Act, 1862, (25 & 26 Vict., c. 89), which, with its amendments, now constitutes the law regulating the establishment and conduct of the business of joint stock banks in England. In the repeal of previous Acts the portion of section 12 of 20 & 21 Vict., c. 49, above referred to, was retained.

By the Companies Act, 1862, (sec. 4) no company, &c., of more than ten persons can be formed for the purpose of carrying on the business of banking, unless registered as a company under the Act, or formed in pursuance of some other Act of Parliament, or of Letters Patent. Seven or more persons may form a company with or without limited liability (s. 6). The liability may, according to the memorandum of association, be limited either to the amount, if any, unpaid on the shares respectively held by the members (companies limited by shares), or to such amount as the members may respectively undertake to contribute to the assets of the company in the event of its being wound up (companies limited by guarantee) (s. 7). In case of limited companies, the word "limited" is added to the name of the company (ss. 8 and 9). If the number of members is reduced below seven the company may be wound up (s. 79); and there is a further provision that if such a company carries on its business for six months after such reduction of members below seven each member thereof, cognizant of the facts, becomes liable for the payment of the whole debts of the company contracted during the time after such six months it so carries on business (s. 48). Existing companies were allowed to register under the Act (s. 180), or companies registered as unlimited to register as limited (Act of 1879, s. 4), but a

bank of issue registered as a limited company is not to be entitled to limited liability in respect of its notes, and the members thereof continue liable in that respect as if it were registered as an unlimited company but, in case the general assets, in the event of such bank of issue being wound up, are insufficient to satisfy the claims of both the shareholders and the general creditors, then the members, after satisfying the remaining demands of the note-holders, are liable to contribute towards payment of the debts of the general creditors a sum equal to the amount received by the note-holders out of the general assets of the bank—*i. e.*, the funds available for payment of the general creditor as well as the note-holder. A bank of issue, registered as a limited company, may make a statement on its notes to the effect that the limited liability does not extend to its notes, and that the members of the company continue liable in respect of its notes, in the same manner as if it had been registered as an unlimited company (Act, 1879, s. 6).

As a consequence of their above legislation, all the joint stock banks in England, with the exception of the Coventry Union Banking Co., Messrs. Glyn, Mills, Currie & Co., the Lancaster Banking Co., the Sheffield and Hallamshire Bank, and Stuckey's Banking Co., have limited liability, either by registration or by virtue of their charters.

The following are some of the principal features of the Companies Act relating to banking companies, in addition to those stated above :—

The shares are personal estate and are capable of being transferred and each share is to be distinguished by its appropriate number (s. 22).

A register of members has to be kept (s. 25), and an annual list of members has to be sent to the Registrar of Joint Stock Companies (s. 26), and this register is open to inspection by members of the company gratis, and by others on payment of a fee (s. 32).

Members remain liable on their shares, in case of the company being wound up, for one year after transfer thereof, but a past member is not liable to contribute in respect of a liability incurred after he ceases to be a member, nor is he liable to contribute to the assets of the company unless it appears to the court that the existing members are unable to satisfy the contributions required to be made by them (s.38).

Limited banking companies have to post up, semi-annually, on the first Monday in February and August in each year, in a conspicuous place in their registered offices, and in every branch office, a statement showing the capital of the company, the number of shares thereof, the number of shares issued, the amount of calls per share made and the total amount thereof received, the liabilities of the company on the first day of January or July, with a statement of the assets on that day, default to publish the same being punished by a penalty of five pounds for every day such default continues (s. 44).

A general meeting of the company is held at least once a year (s. 49).

The Board of Trade may, upon the application of members holding not less than one-third of the whole shares then issued, and on being convinced they have good reason for asking therefor, appoint one or more competent inspectors to examine into the affairs of the bank and report thereon (ss. 56 to 59). The company itself may, by special resolution, appoint inspectors to examine its affairs, with powers the same as those of inspectors appointed by the Board of Trade (s. 60).

The Act of 1879, s. 7., requires audit of accounts of banking companies at least once a year, by auditors appointed by the shareholders, not being directors or officers of the company.

Provision is made for the winding up of the company, by the court having jurisdiction, in the following cases :—

(*a.*) Whenever the company has passed a special resolution, requiring the company to be wound up by the court;

(*b.*) Whenever the company does not commence its business within a year from its incorporation, or suspends its business for the space of a whole year;

(*c.*) Whenever the members are reduced in number to less than seven;

(*d.*) Whenever the company is unable to pay its debts;

(*e.*) Whenever the court is of opinion that it is equitable and just that the company should be wound up (s. 79).

There are also provisions for the voluntary winding up of the company (s. 129 *et seq.*), but this is not a bar to the right of a creditor to have it wound up by the court or under its supervision, if the court is of opinion that the rights of such creditor will be prejudiced by a voluntary winding up (ss. 145, 147).

Provision is also made for the winding up, by the court, under the Act, of unregistered companies, consisting of more than seven members, in case of their having dissolved, or if they are only carrying on business for the purpose of winding up, or in case of their being unable to pay their debts, or whenever the court is of opinion that it is just and equitable that the company should be wound up (s. 199).

A limited company, by the memorandum of association or by special resolution, may make the liability of the directors or managers, or managing director, ununlimited (Act 1867, s.s. 4 & 8). Past directors and managers remain so liable for one year after ceasing to hold office. They are not liable in respect of debts contracted after ceasing to hold office, and they are not to be called upon to contribute beyond their ordinary liability as members, unless the court deems their contributions necessary in order to satisfy the debts and liabilities of the company, and the costs, &c., of winding up (s. 5) They may also be allowed to set-off moneys due to them by the company (s. 6).

An unlimited company may, when registering as a limited company, increase its nominal amount of capital by increasing the nominal amount of each share, but no portion of such increased capital is to be called up, except in the event of and for the purpose of the company being wound up; or the company may, without increasing its nominal capital, provide that a portion of its uncalled capital shall not be capable of being called up except in the event and for the purpose aforesaid. In like manner, a limited company may set aside any portion of its uncalled capital as a reserve for a similar purpose. (Act 1879, s. 5.) This is known as "reserve liability."

There is also an Act (30 Vict., c. 29), known as "Leeman's Act," by which contracts for sale, &c., of bank shares are void unless the numbers by which such shares are distinguished are set forth in the contract of sale.

## SCOTLAND.

The Act of 1708 (7 Anne, c. 30), preventing more than six persons from entering into a banking partnership, did not extend to Scotland; and consequently, as there was no limitation to the number of partners, banking companies with numerous partners have existed for a lengthened period in that portion of the Empire. The Bank of Scotland was established in 1695; the Royal Bank of Scotland in 1727, and the British Linen Company in 1746.

In 1845 an Act was passed relating to the Scotch banks (7 & 8 Vict., c. 38), by which the circulation of the banks then issuing notes was confined to the average circulation of each for the year preceding the 1st May, 1845, *plus* an amount equal in each month to the average amount of gold and silver coin held during such month, as shown by the weekly returns—the silver to be not more than one-fourth of the gold. These banks may issue notes from £1 upwards, and in their returns have to distinguish the amount of notes issued of £5 and upwards from those issued below £5. If the monthly average circulation should be above the limit of notes and coin authorized, the bank is liable to forfeit a sum equal to such excess. Bank of England notes are allowed to circulate in Scotland, but they are not a legal tender there. Notes for less than twenty shillings, or on which less than twenty shillings are due, are not negotiable in Scotland. No new bank of issue can be established, and in case any two or more of the existing banks unite, the authorized limit of circulation of the united bank is an amount equal to the sum of the authorized issues of the banks so uniting.

There are no private banks in Scotland.

In 1845 there were nineteen joint stock banks of issue, with an authorized circulation of £3,087,209. There are now ten, with numerous branches, with a fixed issue of £2,676,350—that is, outside of what they may issue on security of coin. Thus, on the 17th August last the returns of the ten banks showed:—

| | |
|---|---|
| Authorized circulation | £2,676,350 |
| Average gold and silver coin for four weeks ending that date | 4,174,540 |
| | £6,850,890 |
| Average circulation during four weeks ending as above | £5,864,673 |

Of the ten banks, all but the Bank of Scotland, Royal Bank of Scotland and the British Linen Company, have registered as limited companies, the registration, however, not affecting the unlimited liability of the shareholders in respect to the note issue. The three banks named claim, as corporate bodies, to be limited in that respect also, the responsibility of the shareholders being limited by their charters. The other banks were, before registering, unlimited, the partners being liable to the whole extent of their fortunes for the debts of their firms.

All the Scotch banks receive deposits as low as £10, and often lower, and allow interest on them, varying with the variations of the current rates of interest.

The loans or advances made by them are either in the shape of discounts or upon cash-credits. These latter are credits given to an individual by a bank for a limited sum, seldom under £100 or £200, upon his own security and that of two or three persons who become sureties for its payment. He draws out, as he needs it, the whole or as much of the credit as he wishes, replacing it or portions of it as he finds it convenient, and interest is charged or credited on the daily balance as the case may be.

Banks of issue have to make weekly returns.

Besides the banks of issue, there is one other joint stock bank—the North British Bank of Glasgow—which is not a bank of issue and has no branches.

## IRELAND.

In 1783 a national bank was established (The Bank of Ireland), with similar privileges to those of the Bank of England in respect to the restriction of more than six partners in other banks. In 1821 an arrangement was made with the Bank of Ireland by which joint stock companies were allowed to be established at a distance of fifty miles (Irish) from Dublin, and allowed to issue notes. Other Acts were passed from time to time, until in 1845 an Act was passed (8 & 9 Vict., c. 37) to regulate the issue of bank notes in Ireland. By this Act it was enacted that from the 6th December, 1845, unlimited banking partnerships might carry on business in Dublin or within fifty miles thereof as freely as could partnerships of more than six members beyond fifty miles from Dublin. The Bank of Ireland was to manage the public debt in Ireland. Bank of England notes were not to be a legal tender in Ireland, though they were to be allowed to circulate there. Existing banks of issue were to be continued in their privilege, but, like the Scotch banks, were limited to the average amount of circulation of each during the year previous to the 1st May 1845, *plus* the average amount of gold and silver coin held each four weeks by each bank (the silver to be not more than one-fourth of the gold), that is to say: the bank could exceed its authorized circulation by the average amount of gold and silver coin monthly held by it. For excess of circulation the bank becomes liable to forfeit a sum equal to the excess. Banks may relinquish their right of circulation, but cannot resume the same. Banks of issue have to make weekly returns. A bank of issue may relinquish its right of issue to the Bank of Ireland, in which case the fixed limit of issue of the last named bank is increased by the amount of the fixed issue of the bank relinquishing its right. If two or more

banks unite, the new bank acquires an authorized issue to an amount equal to the aggregate of the authorized issues of the uniting banks. The Bank of Ireland has now no exclusive privileges. No new banks of issue can now be established.

There are now nine joint stock banks in Ireland and three private banks. The latter are not banks of issue, and of the joint stock banks six are banks of issue (the same number as in 1845), with a fixed circulation of £6,354,494. The circulation returns for the four weeks ending 17th August, 1889, are:—

| | |
|---|---|
| Authorized circulation | £6,354,494 |
| Average gold and silver—4 weeks | 3,380,990 |
| | £9,735,484 |
| Average circulation | £6,232,632 |

All the joint stock banks in Ireland have a limited liability.

Notes for £1 and upwards are negotiable in Ireland, but no notes under that amount.

## FRANCE.

Previous to 1848 there were ten banks of issue in France, the Bank of France, and departmental banks established at Rouen, Nantes, Bordeaux, Lyons, Marseilles, Lille, Havre, Toulouse and Orleans. The Bank of France had also branches in various parts of tho country. In consequence of the revolution of 1848, the Bank of France had to make large advances to the Government, and there was so severe a strain on it for gold that it was authorized to suspend cash payments, and a limit was placed on the amount of its issues.

Similar measures were passed with reference to the nine departmental banks, but later in the year these latter banks were united to the Bank of France and made branches of it, and since then the latter bank has been the only note-issuing institution in France. Cash payments were resumed a few years later, and the decrees imposing limits on the circulation were then abrogated. The issues of the bank would seem to be subject to no control whatever in ordinary times, a limit being placed upon them only in cases of suspension of cash payments.

The bank is obliged to open a *compte courant* for anyone who requires it, and does not charge any commission on such accounts. It discounts bills, make advances on stocks and pledges of various kinds and undertakes the care of valuable articles, such as plate, &c. There is no limit as to the rate of interest on loans and discounts, except upon advances to the Government, the maximum interest upon these being limited to 3 per cent.

The administration of the Bank of France is vested in a Council of twenty-one members, viz.: A governor and two sub-governors, appointed by the Government, and fifteen directors and three censors, nominated by the shareholders.

Besides the Bank of France and its branches, there are other financial and banking institutions, such as the Credit Foncier, Credit Lyonnais, &c.

## SPAIN.

The Bank of Spain is not a State bank, and the State does not participate in its profits, but the bank has the management of the Treasury accounts; it has under its care the collection of the taxes, and the payment of the interest on the funded debt, and it has a running account for the floating debt requirements of the Treasury, to the extent of 165,000,000 pesetas, or £6,600,000, upon which it receives interest at the rate of 3 per cent. per annum. It has the monopoly of the note issue, which right may be exercised to the extent of five times the paid-up capital of the bank. The notes in circulation must be secured to the extent of at least 25 per cent. by a metallic reserve, but there is no proviso as to the proportion of gold and silver to be held. As a consequence, the more precious metal represents but a small proportion of the total reserve, while the bulk of the silver is held at the branches, of which there

are over fifty in all the principal towns of Spain, all issuing notes. These notes are ordinarily paid in silver. According to the commercial code, the securities held against the note issue ought to be realizable within a maximum period of ninety days. The paid-up capital of the Bank of Spain amounts to 150,000.000 pesetas, say £6,000,000 sterling. There are twenty-four other banks, with an aggregate paid-up capital of about the same amount, whose shares are quoted on the Madrid bourse. The note circulation at the end of 1888 was 719,736,775 pesetas, the authorized issue being 750,000,000 pesetas.

There are numerous private banking establishments in Spain, generally large merchant houses, which also undertake financial operations of a banking character, generally on commission.

There are also about thirty-seven agricultural banks, besides a few penny savings banks.

## SWEDEN.

The following is a summary of the banking law of Sweden with regard to private note-issuing banks, the full text being given in the "Bankers' Magazine" of January, 1879:—

Charters may be granted to banking companies issuing their own notes, for a period of ten years from the opening of the bank, and if the company wishes the charter extended it has to make application eighteen months before the current charter runs out.

The partners in the banking company must be Swedish subjects, to the number of at least thirty, and they are responsible, one for all and all for one, for the fulfilment of all the engagements of the company. They are called partners with joint responsibility.

They may, for the purpose of increasing the capital of the bank, unite with them shareholders whose responsibility for the engagements of the company is limited to the full amount of their shares. They are called shareholders with limited liability, and cannot be received into the company for more than, at most, the half of the amount the shareholders with joint responsibility put into the capital. They are not allowed to take part in any other resolutions at the company's meetings than the election of auditors, to which office they may be elected.

A partner with unlimited liability is not allowed to retire from the company or transfer his shares without the consent of the company, a request being made in writing to the directors and taken into consideration at the ordinary meeting of the company held in the business year next ensuing, and notice of the retirement of such partner, or the joining of a fresh partner with unlimited liability, has to be given by the directors to the local court of justice, to be entered in its register, and has also to be advertised in the public newspapers.

Owners of shares with limited liability may transfer their shares after notice to the directors, due regard being had in other respects to the rules laid down by the company for such purpose.

A list of the partners, of both kinds, with the number of shares held by each, has to be kept at the bank, on which all alterations in the ownership are noted, and it is free to any one to take notes of this list during the time the bank is open to the public, and a certified extract therefrom will be given on payment of a fee.

The rules of the company have to contain resolutions concerning the amount of capital; how far shareholders with limited liability may be admitted, and on what conditions, especially as to the share of the profits to come to them; the grounds for exercising the rights of voting at the company's meetings; the number of directors on a board, which at head office must be at least five; the number of auditors and times of audit, which must be annual; the branches of the business of the bank, it being expressly enacted that neither its own share certificates nor those of other private banks may be accepted as security for advances; the manner of effecting alterations in the company's rules; the time of the ordinary meetings of the company, which must be at least once a year, and the conditions for calling extraordinary

meetings; the formation of a reserve fund and the share of the annual profits to be transferred thereto; and the terms upon which shall be valued the bonds, &c., which may be accepted as deposit for issued bank notes.

The capital contributed by the partners with joint responsibility is not to be under one million kronor (about $270,000) and must be paid up within one year after the bank is opened to the public, under penalty of forfeiture of charter; and at least 10 per cent. must be paid up before the bank commences business. If shareholders are admitted with limited liability the amount by which the capital is thus increased must likewise be contributed within a year from the opening of the subscription. The capital is divided into equal shares, and the share certificate is made out in favor of a person mentioned by name, but it is not issued until the capital in full has been contributed. Before the bank commences business a list of the partners jointly responsible for its engagements, has to be delivered to the court of justice in the town where its head office is situate (and the head office can only be opened in a town), as well as advertised in the public journals.

At least 60 per cent. of the capital has to be converted into public bonds, and at least one-half of these bonds must be readily saleable obligations bearing interest; the remaining bonds registered upon landed property in the country within one-half of the assessment valuation last made, or upon real property in a town within one-half either of the value of insurance against fire or of the assessment valuation last made; the buildings on the property in a town to be kept insured against fire. This deposit has to be examined by delegates of the company, together with the Governor of the province, or a person appointed by him, and to be deposited at the office of the Exchequer or at some public place of safety. The exchange of securities is dealt with in the same way as at the first examination.

The partners with joint responsibility elect from among themselves a board of directors, who manage the bank. Each director deposits with the bank at least one share certificate, which is not delivered up by the bank so long as he remains a director. He may be removed by a resolution duly passed at a meeting of the company. If he retires he remains responsible for transactions in which he has taken part until his release has been assented to, after audit, at an ordinary meeting of the company. The names of directors and those persons who are entitled to sign the company's bank notes and other liabilities are notified to the proper official and published in the public journals after each ordinary meeting, and also when any change has taken place.

The accounts of the bank are open at any time to examination by the Commissioner of the Government or the authorities of the Finance Department; monthly returns of the condition of the bank have to be made to the Finance Department, which return has to contain a statement of the interest upon loans, together with the current rate of discount; any alteration in the interest on loans or rate of discount has to be advertised in the public journals; a report of the audit has to be sent to the Finance Department, and also inserted in the public journals. If deviations are made from the law or from the company's rules and are not rectified within a month, the company becomes liable to have its charter forfeited.

Notes may be issued to the aggregate of the bonds deposited as aforesaid; *plus* the reserve fund of the bank, so far as it consists of securities deposited in public keeping, and so constituted that they may be regarded as corresponding in value with bonds; *plus* the securities held in the bank to a sum not exceding 50 per cent. of the entire capital of the bank, provided the funds at the head office, in lawful current gold coin, amount to 10 per cent. of capital; *plus* all the gold at the head office belonging to the bank, exceding in value 10 per cent. of the capital. If a bank exceeds its issue it forfeits to the State, unless the matter is rectified within ten days, for every day such excess of issue takes place, the amount of 1,000 kronor ($270), and if such excess of issue takes place frequently the license to the bank to issue its own notes may be revoked.

If payment of a note is refused the holder is entitled to receive interest at the rate of 6 per cent. per annum, together with the principal, from the date of refusal

until payment can be obtained. The holder, after protest by a notary, is entitled to make a report to the Commissioner, who, if it cannot be immediately proved that the hindrance originated in an accident, must, without delay, report to the Government, and in the meantime suspend the business of the bank, and it then rests with the Government to decide if the charter shall be forfeited. The company has a right to apply for the appropriation of its deposit to pay its note circulation, and in such case it loses the right of issue to the extent of the valuation of the securities sold, and half as much again, and it is bound to restore its securities to the proper amount as soon as possible.

The capital contributed and reserve fund cannot be decreased by division so long as the banking business continues, nor at its termination, in a proportion greater than that the remainder fully corresponds with the amount of the company's circulating and current liabilities of every kind. If a banking company, according to the balance stated in the books duly audited at the close of any business year, has incurred such losses that the reserve fund of the bank and 10 per cent. of the capital which the partners with joint responsibility have contributed have been lost, the bank shall be placed under sequestration and dissolved, unless, at a meeting convoked for the purpose without delay, the company declares itself willing, within three months thereafter, by means of calling up additional capital on its shares, to restore the capital to its proper amount, and it is the duty of the Government Commissioner to see that such resolution is carried out within the time, and if it is not, the company is placed absolutely under sequestration and dissolved.

The company is not allowed to carry on business with anything than gold and silver, home and foreign bills of exchange, and public stock bearing interest, nor to become possessed of other real property than required for bank premises. Mortgaged property acquired by it must be sold again as soon as a sale can take place without loss to the bank.

It appears from a note in the *Bankers' Magazine* of April, 1887 (p. 353), that during the then last session of the Swedish Parliament the Government presented a bill for amending the law of banking, the chief features of which were greatly to curtail the powers possessed by the private note-issuing banks. It was proposed that they should hold as security at least 70 per cent. of the value of the notes in circulation in Government bonds, and that the total value of all private notes in circulation should not exceed fifty million kronor (say $13,500,000). It was also proposed that notes for the sum of 10 kronor (say $2.70) should only be issued to the extent of three-fifths of the total issue. Although it was felt that these alterations were highly desirable, the two chambers of the House could not agree to certain details, and the bill was lost for the time being. The existing privileges of issue were renewed for a term of five years from the 31st March, 1887.

In addition to the private banks, there is a national bank, the Bank of Sweden, which has the right of note-issue, and joint stock banks, which apparently do not possess the note-issuing privilege. The bullion in the Bank of Sweden must amount to fifteen million kronor (say $2,835,000). From the official report it appears that on the 31st December, 1888, the total circulation of all the banks, including the Bank of Sweden, was 100,033,000 kronor, and the authorized issue 148,769,000 kronor, leaving an unissued balance of 48,736,000 kronor. The notes of the Bank of Sweden in circulation were over forty-four millions, and nearly thirty millions remained unissued—in all seventy-four millions, leaving about the same amount as the authorized issue of the private banks.

There is a Government tax on the notes issued by private banks.

## GERMANY.

Prior to 1875 banks had been established in the several German States under laws peculiar to each, and most of them were allowed to issue notes according to regulations varying from State to State. The notes of each bank were necessarily confined to its own neighborhood. In 1875 an Act was passed, which is now the

general banking law of the German Empire. By it the Imperial Bank was formed, with the right of circulation and establishment of branches throughout the Empire; thirty-two other banks were recognized as possessing note-issuing privileges. The issues of the Imperial and the other banks were limited to an entire circulation of 385,000,000 marks, *plus* the amount held by each in cash, that is, in current German money, legal tender notes of the Empire, notes of other German banks, and gold bars and foreign gold coin, calculated at the rate of 1,392 marks for a pound (German) of gold. If a bank exceeds its authorized circulation it has to pay yearly to the Exchequer on the excess a tax of 5 per cent. Of the 385,000,000 marks of issue the Imperial Bank had 250,000,000 (£12,500,000), and the remaining 135,000,000 (£6,750,000) were divided among the other banks, with a proviso that if a bank lost its right of issue, by renouncing it or otherwise, it fell to the Imperial Bank. Under this provision rights of issue have been renounced by other banks to the extent of 35,585,000 marks, so that the present share of the Imperial Bank in the circulation limited as above stated is 285,585,000 marks (£14,279,250), leaving to the other banks 99,415,000 marks (£4,970,750), of which sum 72,000,000 (£3,600,000) fall on the banks of South Germany. It was further enacted that no right of issuing notes should be conferred, nor any issue extended, except by a law of the Empire. Notes could not be issued for a less amount than 100 marks (£5), but no one could be forced to accept them for payments which by law must be made in money. The banks are bound to accept their own notes at their full nominal value in payments, not only at their head offices, but at all their branch offices. Every note-issuing bank is bound to publish four times a month a statement of its assets and liabilities, and also within three months after the completion of its business year an exact balance sheet of assets and liabilities, with special mention of the contingent liabilities upon inland bills of exchange which have passed away into other hands.

The Imperial Bank is under the direction and control of the Empire, with its head office at Berlin. It has to publish the rate for which it discounts or gives loans on interest. It is authorized to issue notes according to the requirements of its business, under the control of the Commissioner for the debts of the Empire. It is obliged to have in its coffers at least one third of the amount of notes in circulation in German currency, legal tender-notes of the Empire, or in gold bars or foreign gold coin valued at 1,392 marks for a pound (German) of gold. The rest of the notes in circulation must be represented by discounted bills, due at latest in three months, and for which generally three, but at least two, persons known to be solvent are responsible. It is obliged to redeem its notes, in German currency, at its head office on presentation, and at branch offices as far as its means extend. It and its branch offices are exempt from income and trade taxes. It is bound to accept as payment, under certain conditions, the notes of the other note-issuing banks, and it may enter into agreement with them to renounce their rights of issue. It is obliged gratuitously to accept payments for the Empire and to make such up to the amount of the Empire's credit, and it is authorized to take in charge the same business for the separate German States. Its capital is 120,000,000 marks (£6,000,000), divided into 40,000 shares of 3,000 marks each (£150). Its net revenue at the close of every year is used as follows :—1st. The shareholders receive a dividend of $4\frac{1}{2}$ per cent. on the capital; 2nd. twenty per cent. of the rest is appropriated to the reserve fund, so long as the latter does not amount to one-third of the capital; 3rd. one-half of the balance remaining is to be paid to the shareholders, so long as their dividends do not exceed 8 per cent.; the other half goes to the exchequer. Three-fourths of the further remaining amount goes to the Imperial Exchequer, one-fourth to the shareholders. Should the net revenue not amount to $4\frac{1}{2}$ per cent. of the capital, the deficiency must be made up from the reserve fund. If the shares are issued at a premium above their nominal value, the amount so gained goes to the reserve fund. Due dividends after four years fall to the bank. The control belonging to the Government is exercised by a bank-curatorium (a sort of council of administration) consisting of the Chancellor of the Empire as president, and four colleagues—one named by

the Emperor and the other three by the Federal Council. This curatorium meets once a quarter and receives reports on the condition of the bank and everything relating to it, and to it is communicated a general statement of accounts of all business operations undertaken by the bank and the regulations made by it. The part of the direction belonging to the Government is exercised by the Imperial Chancellor, and under him by the Imperial Bank Directory. The Chancellor directs the whole administration according to the rules of the Act and the regulations made thereunder, and he alone is authorized to introduce changes in any of the regulations.

The Imperial Bank Directory is the official authority by which the bank is administered and actively represented. It consists of a president and a certain number of members, and votes by a majority of voices, but is subject to the direction of the Chancellor on all questions of administration. The president and members are appointed for life by the Emperor on a proposal from the Federal Council, but the central committee, hereafter referred to, has to be consulted before the Federal Council comes to a decision as to an appointment to fill a vacant place in the Directory, other than the president thereof. This central committee is elected by the shareholders, and forms their representative with the administration. It consists of fifteen members, with fifteen substitutes, chosen from among shareholders of at least three shares. It meets once a month and receives reports as to the business of the bank, as well as all proposals of the Bank Directory as to the business or regulations of the bank. It approves of the amount up to which the funds of the bank may be used in loans, and it expresses its opinion on other points of administration, while a continuous special control over the administration is exercised by three of the committee chosen annually, with as many substitutes, who have the right to be present and pronounce their opinions at all the meetings of the Bank Directory, and also at any time to examine the books and business of the bank. The members of the central committee receive no remuneration for their services.

The other banks of issue are restricted as to business and circulation to the States in which their right has been granted, but under certain conditions these restrictions may be removed.

It appears from a note in the "Economist" of the 9th November, 1889, that the German Government has submitted to the Reichstag the necessary notice of the changes proposed to be made in the Act on the 1st January, 1891, with regard to the Imperial Bank, from which it appears that the only changes to be made are that the first dividend payable to the owners of the shares is to be reduced from $4\frac{1}{2}$ per cent. to $3\frac{1}{2}$ per cent., and that the total dividend, now fixed at 8 per cent., is to be reduced to 6 per cent., gains exceeding that percentage to be as now divided at the rate of three-quarters to the Imperial Treasury and one-quarter to the shareholders. No doubts are entertained as to the ultimate adoption of these changes, both by the shareholders and by the Reichstag. If they are accepted, the bank law will have another term to run until the close of the year 1900.

## RUSSIA.

In Russia the chief bank (the Imperial Bank) is a bank founded by the State, conducted under the supervision of the State and for the benefit of the State. Its capital is an investment of the State; its directors are a committee of the Treasury; its business is partly for the State and partly for the general public, but its profits are credited solely to the State. It was established in 1860 for the purpose of regulating the issue of paper currency and giving assistance to commerce. Besides it there are between three and four hundred other banks of various kinds in Russia. Notes are issued by the State.

## UNITED STATES.

In the United States of America there has been in force since 1864 what is known as the "National Bank Act." This Act is entitled: "An Act to provide a National Currency secured by a pledge of United States Bonds, and to provide for the

circulation and redemption thereof," and, with its amendments, now forms the banking law of the United States. Under it a Bureau was established in the Department of the Treasury, charged with the execution of all laws relating to the issue and regulation of the national currency, and the chief officer of this Bureau is called the Comptroller of the Currency, and performs his duties under the general direction of the Secretary of the Treasury. He is appointed by the President, on the recommendation of the Secretary of the Treasury, with the consent of the Senate, and holds his office for five years, unless removed for cause. Neither he nor his deputy can have any interest, either directly or indirectly, in a national bank. He makes an annual report to Congress, giving. 1st, a summary of the condition of each national association; 2nd, a statement of the associations whose business has been closed during the year, with the amount of their circulation redeemed and outstanding; 3rd, any amendment to the banking laws by which the system might be improved and the security of note-holders and other creditors increased; 4th, a statement of the condition of the banks (including savings banks) organized under the laws of the several States and Territories—such information to be obtained by him from the reports to the Legislatures or officers of the several States and Territories, or, if there are no such reports obtainable, from such authentic sources as may be available; and, 5th, the names and compensations of the clerks employed by him, and the whole amount of the expenses of the Banking Department during the year.

National banking associations are obliged to transmit to the Comptroller each year a full list of the names and residences of the shareholders, with the number of shares held by each, such list to be verified by the oath of the president or cashier thereof. They are also obliged to make not less than five reports each year to the Comptroller, in a form prescribed, and verified by the oath or affirmation of the president or cashier, and attested by at least three of the directors, showing in detail their resources and liabilities at the close of business on any past day specified by the Comptroller, which report, in the form in which it is made to the Comptroller, has to be published in a newspaper published in the place where the association is established, or if there is no newspaper in the place, then in the one published nearest thereto in the same county. The Comptroller has power to call for special reports from a particular association, whenever he deems it necessary. The associations have also to report to the Comptroller, within ten days after declaring a dividend, the amount of the dividend and the amount of net earnings in excess thereof, such reports to be attested by the oath of the president or cashier. For failure to make the reports as to their condition and dividends, the association incurs a penalty of $100 for each day it delays after the time allowed by law to make and transmit the same.

It will be noticed that there were, at the time of the passing of the Act, banks in existence, organized under the laws of the several States and Territories. Provision is made for the conversion of such banks into national banking associations, retaining their branches, if they choose, provided they do not have a less capital than required of national associations. There is a tax of 10 per cent. upon the notes of State banks used for circulation, and a similar tax upon all notes used for circulation, not being national association or United States notes.

National banking associations may be formed by any number of persons, not less than five; and upon their making and fyling articles of association and an organization certificate, they become a body corporate, with power to use a corporate seal; to have succession for twenty years, unless sooner dissolved, and provision is made for an extension of this period; to make contracts; to sue and be sued; to elect directors and to appoint and dismiss officers, and define their duties, &c.; to make by-laws as to transfer of stock and general conduct of business, and to exercise all incidental powers necessary for the carrying on of the business of banking; but no association is permitted to transact any business, except such as is incidental and necessarily preliminary to its organization, until it has been authorized by the Comptroller of the Currency to commence the business of banking. The mininum

capital required is $100,000, with a proviso that in a place of less than 6,000 inhabitants a bank may, with the approval of the Secretary of the Treasury, be organized with a capital of not less than $50,000; but $200,000 capital is required in cities of over 50,000 population. Fifty per cent. of the capital must be paid up before the bank can be authorized to commence business, and the remainder of the capital stock must be paid up in monthly instalments of 10 per cent. each on the whole amount of capital—that is to say, within five months after being authorized to commence business. As soon as the Comptroller is satisfied that all the requirements of the law are complied with, he issues a certificate authorizing the association to commence business.

Every association, before commencing business, must deposit with the Treasurer of the United States, United States interest-bearing registered bonds. The minimum amount of bonds to be kept on deposit is $50,000, in case of banks exceeding $150,000 capital; and an amount equal to one-fourth of their capital stock, in the case of banks having $150,000 capital or less. These bonds are held exclusively for the purpose of the redemption of the circulating notes of the association, and upon their deposit the association receives from the Comptroller of the Currency circulating notes of different denominations (since the resumption of specie payments, not under $5) to an amount equal to 90 per cent. of the current market value of such bonds, not exceeding par, but the total of notes so issued shall at no time exceed 90 per cent. of the actually paid up capital of the association. In addition, each association has to deposit in the United States Treasury a sum equal to 5 per cent. of its circulation, which may be counted as a part of its reserve hereinafter referred to, but which 5 per cent. is to be held and used for the redemption of the circulation. When the circulating notes of the national associations are presented for redemption in sums of $1,000, or any multiple thereof, to the Treasurer of the United States, he redeems them in United States notes, and charges the notes so redeemed to the associations issuing them; and when the notes so redeemed for any association amount to $500, such association deposits with the Treasurer a sum in United States notes equal to the sum redeemed; whereupon the notes so redeemed, or new notes, if they are unfit for use, are forwarded to the association so issuing them. The notes of an association are redeemable only in this way and at its own counter. Provision is made for the retiring of circulation and withdrawal of bonds down to the minimum limit above mentioned, but a bank so withdrawing cannot receive an increase of circulation for six months. The notes issued to the associations express on their face that they are secured by United States bonds, but they are not issued until signed by the proper officer of the association, so as to make them promissory notes of the association payable on demand. They are received at par in all parts of the United States in payment of taxes, excises, public lands and all other dues to the United States, except duties on imports; and also for all salaries and other debts and demands owing by the United States to individuals, corporations and associations within the United States, except interest on the public debt and in redemption of the national currency. Provision is made, in case of failure of an association to pay its notes, for the forfeiture of the bonds deposited and for the payment of the note-holders from the proceeds thereof. Every national association has to take at par for any debts or liabilities to it notes issued by any other national association.

Notes of the United States are also used as a circulating medium, and are a legal tender in payment of all debts, public and private, within the United States, except duties on imports and interest on the public debt. Prior to the 31st May, 1878, all such notes in circulation in excess of $300,000,000 were to be redeemed as the circulation of the banks increased, but on that date an Act was passed forbidding the further reduction thereof, and enacting that no such notes should thereafter be cancelled or redeemed, but should be re-issued and kept in circulation, mutilated notes being replaced with new notes of like denomination. The result is that the circulation of these legal tender notes has remained at the amount then outstanding, $346,681,016. In addition to these notes, the Treasury issues gold and silver certificates,—the gold in sums of not less than $20, and the silver in smaller

denominations. These certificates are represented in the Treasury by gold and silver coin respectively, which must be retained for their payment on demand. The issue of gold certificates is suspended whenever the gold coin and gold bullion in the Treasury, reserved for the redemption of the United States notes, fall below $100,000,000.

Provision was also made for the organization of associations for the purpose of issuing notes payable in gold upon the security of United States bonds bearing interest payable in gold,—no note to be less than $5; the issue not to exceed 80 per cent. of par value of bonds deposited; and the organizations to keep on hand at all times, in gold or silver coin of the United States not less than 25 per cent. of the outstanding circulation. There are now no national gold banks in existence, they having either ceased to do business or become converted into the currency banks.

Each national banking association is compelled to keep a reserve equal, in large cities, such as Albany, New York, &c., to 25 per cent., and in other places 15 per cent. of the aggregate amount of its deposits. As has been noticed before, a portion of this may be deposited with the Treasury as an additional security for the payment of its circulation. If the reserve falls below the limit no new loans or discounts or dividends are to be made until the proper reserve is restored, and if the association fails for thirty days after notice from the Comptroller to make good its reserve a receiver may be appointed to wind up its business.

The following are some of the other important features of the National Bank Act:

The capital stock may be increased, the maximum being determined by the Comptroller, but no increase is valid until the whole amount is paid in and the Comptroller's approval obtained. The stock may be reduced to a sum not below the minimum required for the formation of the association, by a vote of the shareholders owning two-thirds of the stock, provided the capital is not reduced below the amount required for outstanding circulation and the reduction is approved by the Comptroller.

Directors must be citizens of the United States and own at least ten shares of stock. There must be not less than five directors, elected annually.

The shareholders are held individually liable, equally and ratably, and not one for another, to the extent of the amount of their stock, at par value, in addition to the amount invested in such shares. The shares ($100 each) are deemed personal property, and are transferable in the books of the association. The association cannot loan upon or purchase its own stock.

Dividends may be declared semi-annually, but before a dividered is declared the association has to carry one-tenth of its net profits of the preceding half year to its surplus fund until the same amounts to 20 per cent. of the capital stock.

The total liabilities to any association of any person, company, &c., for money borrowed, including, in the liabilities of a company, the liabilities of the several members thereof, are at no time to exceed one-tenth of the paid up capital of the association; but the discount of bills of exchange drawn in good faith against actually existing values, and the discount of commercial or business paper actually owned by the person negotiating the same, are not considered as money borrowed.

The use of the term "National" in title is prohibited to other than National Banks.

No dividend can be made to exceed the net profits.

The Comptrollor of the Currency, with the approval of the Secretary of the Treasury, as often as deemed necessary or proper, appoints a person or persons to make an examination of the affairs of every national bank, and report to him in detail the condition thereof; and the persons so appointed have power to make a thorough examination, and in doing so to examine all the officers and agents of the associations on oath. No person is appointed who is a director or other officer of the association.

Savings and other banks in the District of Columbia are subject to the laws relating to national banking associations.

Associations may go into voluntary liquidation and be closed by a vote of shareholders owning two-thirds of its stock.

They have to pay the Government, half yearly, taxes on their average circulation, deposits and capital stock, beyond amount invested in United States bonds.

Any real estate coming into their possession, by mortgage or otherwise, beyond what is required for their accommodation in transacting their business, cannot be held for a longer period than five years.

## CANADA.

In Canada the banks have been incorporated by Special Act of Parliament, the Dominion Parliament having now exclusive jurisdiction.

The capital stock (generally not less than $500,000), the amount of each share (generally $100), the name of the bank and the place where its head office is situate, are specified in the Act of incorporation.

Before issuing notes or commencing business it must get a certificate from the Treasury Board, which is granted when it is proved to the satisfaction of the Board that $500,000 capital have been *bona fide* subscribed and $100,000 *bona fide* paid up. This certificate is by the Act of incorporation generally required to be obtained within one year from the passing of the Act. If $200,000 have not been paid up when the bank commences business it must be paid up within two years by the general Act, or one year by the recent special Acts. It is not necessary that more than $200,000 should be paid up within any limited time. Failure to comply with those provisions about getting the certificate and calling in the capital works a forfeiture of the charter.

The capital stock may be increased by the shareholders, but there is no provision for decrease, which must be authorized by Act of Parliament.

The bank regulates by by-laws its internal management. The directors are not less than five nor more than ten in number, and must be natural-born or naturalized subjects of Her Majesty, and must hold not less than $3,000 stock, when the paid up capital of the bank is $1,000,000 or less; $4,000 of stock from $1,000,000 to $3,000,000; and $5,000 stock when over $3,000,000. The directors are elected annually and submit a statement to the shareholders at the annual meeting. The books, &c., are subject to the inspection of the directors at any time, but there is no provision for an independent audit, as in England. The directors have the same liability as other shareholders, with the addition that they are guilty of a misdemeanor and are responsible for all damages sustained by any person in consequence of their giving an undue preference to any creditor, or making false statements in any return or report respecting the affairs of the bank.

Dividends are declared half-yearly, but no dividend is to be declared so as to impair the paid up capital; and if any dividend is so made the directors making it are liable, jointly and severally, for the amount thereof as a debt due the bank. If any part of the capital is lost, calls are at once to be made on the shareholders, if the capital stock is not fully paid up, to make good the loss, and such loss and calls must be stated in the next monthly return to the Minister of Finance. In any case the net profits have to be applied to make good the loss. No dividend beyond 8 per cent. per annum shall be made, unless, after making it, the bank has a rest or reserve fund equal to at least 20 per cent. of its paid up capital, after deducting all bad and doubtful debts.

The shares are personal property and assignable. They must be held at least thirty days before the holder can vote on them. He has one vote for each, in person or by proxy, proxies being good for three years. He must have paid all calls. In case of the property and assets of the bank being insufficient to pay its debts and liabilities the shareholders are liable to the amount of the unpaid portion of the shares held by them, and a further amount equal to the amount of the shares. They continue liable for one month after transfer.

The bank has to hold, as nearly as practicable, one-half its reserves in Dominion notes—never less than 40 per cent.—but there is nothing fixing the amount of these reserves or their proportion to the capital or liabilities of the bank. Chartered banks may issue $5 notes and upwards in multiples of $5, and the circulation is lim-

ited to the amount of the unimpaired paid up capital, with graded penalties for excess of circulation : $100 if the excess is not over $20,000 ; $1,000 between $20,000 and $100,000; $5,000 between $100,000 and $200,000 ; and $10,000 if over $200,000. The bank has to receive its own notes in payment at par at any of its offices, but is bound to redeem only at the head office and such other place where they are made payable. They are a first lien upon the assets of the bank in case of insolvency. They are not legal tender.

The Government issues $1, $2 and $4 notes, as well as notes of larger denominations. These notes are legal tender and may be issued to an amount authorized by Order in Council, not exceeding $20,000,000. The authorized circulation at present is $19,000,000, and the actual circulation for the past twelve months has ranged from $14,580,000 to $16,630,000, the average having been $15,800,000.

Banks cannot lend money on the security of their own stock.

Real estate can only be held for seven years, unless it is in actual occupation for the prosecution of the business of the bank.

Returns of the affairs of the bank are made monthly to the Minister of Finance and published in the *Canada Gazette*. Returns of the shareholders and amounts of stock held by each are made anually, and are laid before Parliament.

No person, firm or company, except a chartered bank, is allowed to use the title of " bank," " banking company," &c., without adding the words " not incorporated." No bank but a chartered bank can issue notes for circulation.

There are in Canada still some banks working under local charters. These are allowed to come under the general Act on application. These charters will, with one exception, expire before 1st July, 1891. The exception is the Merchants' Bank of Prince Edward Island, whose charter expires in 1892. There are three banks with special privileges—the Bank of British North America, the Bank of British Columbia and the Banque du Peuple. The first two are banks incorporated by Royal Charter in England, and the other is a French bank *en commandite*. All provisions relating to reserves to be held, issue, &c., of notes ; making of loans on their own stock ; making of returns to the Government ; and the notes being a first lien upon the assets ; apply to these banks. The liability in the case of insolvency is, in the case of the Bank of British Columbia, twice the amount of the share ; in the case of the Bank of British North America, the amount of the share ; and in the case of the Banque du Peuple the liability is unlimited.

Finance Department,
Ottawa, 19th November, 1889.

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Canada. Finance, Department of
Memorandum on the banking systems of Great Britain and Ireland ... 1889.

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